

# ILMARINEN'S INTERIM REPORT Q3 / 2013

Press conference 23 October 2013

Deputy CEO Timo Ritakallio



ILMARINEN



# KEY OBSERVATIONS IN JANUARY— SEPTEMBER 2013

- Return on investments 6.5 per cent
- Long-term real return 3.9 per cent
- Solvency strengthened
- Excellent sales figures



# EXCELLENT RETURN ON EQUITIES

- Return on equity investments 14.1%
  - Listed equity investments 14.6%
- Return on fixed income investments 3.2%
- Return on real estate investments 3.3%
  - Direct real estate investments 3.7%
- Return on private equity investments 6.3%

# RETURN ON INVESTMENTS UP TO 6.5 PER CENT

Investment returns classified according to risk 1 Jan–30 Sep 2013

	Market value EUR mill.	Market value %	Risk breakdown EUR mill.	Risk breakdown %	Return %	Volatility %
<b>Fixed income investments</b>	<b>14,269.8</b>	<b>45.3</b>	<b>13,337.1</b>	<b>42.3</b>	<b>3.2</b>	
Loan receivables	2,013.0	6.4	2,013.0	6.4	2.7	
Public corporation bonds	3,724.3	11.8	2,656.2	8.4	0.4	2.4
Bonds	7,313.7	23.2	3,341.3	10.6	5.3	2.4
Other money market instruments and deposits (incl. investment receivables and payables)	1,218.7	3.9	5,326.7	16.9	2.4	
<b>Equities and shares</b>	<b>12,080.5</b>	<b>38.4</b>	<b>12,837.2</b>	<b>40.8</b>	<b>14.1</b>	
Listed equities and shares	9,645.4	30.6	10,402.1	33.0	14.6	12.5
Private equity investments	1,429.4	4.5	1,429.4	4.5	6.3	
Unlisted equities and shares	1,005.7	3.2	1,005.7	3.2	22.0	
<b>Real estate investments</b>	<b>3,599.1</b>	<b>11.4</b>	<b>3,599.1</b>	<b>11.4</b>	<b>3.3</b>	
Direct real estate investments	3,068.8	9.7	3,068.8	9.7	3.7	
Real estate funds and joint investments	530.3	1.7	530.3	1.7	0.9	
<b>Other</b>	<b>1,549.5</b>	<b>4.9</b>	<b>1,725.4</b>	<b>5.5</b>	<b>-6.8</b>	
Hedge fund investments	401.6	1.3	401.6	1.3	3.4	7.3
Commodity investments	4.9	0.0	-17.1	-0.1	-	
Other investments	1,143.1	3.6	1,340.9	4.3	-	
<b>Investments total</b>	<b>31,498.8</b>	<b>100.0</b>	<b>31,498.8</b>	<b>100.0</b>	<b>6.5</b>	<b>3.9</b>

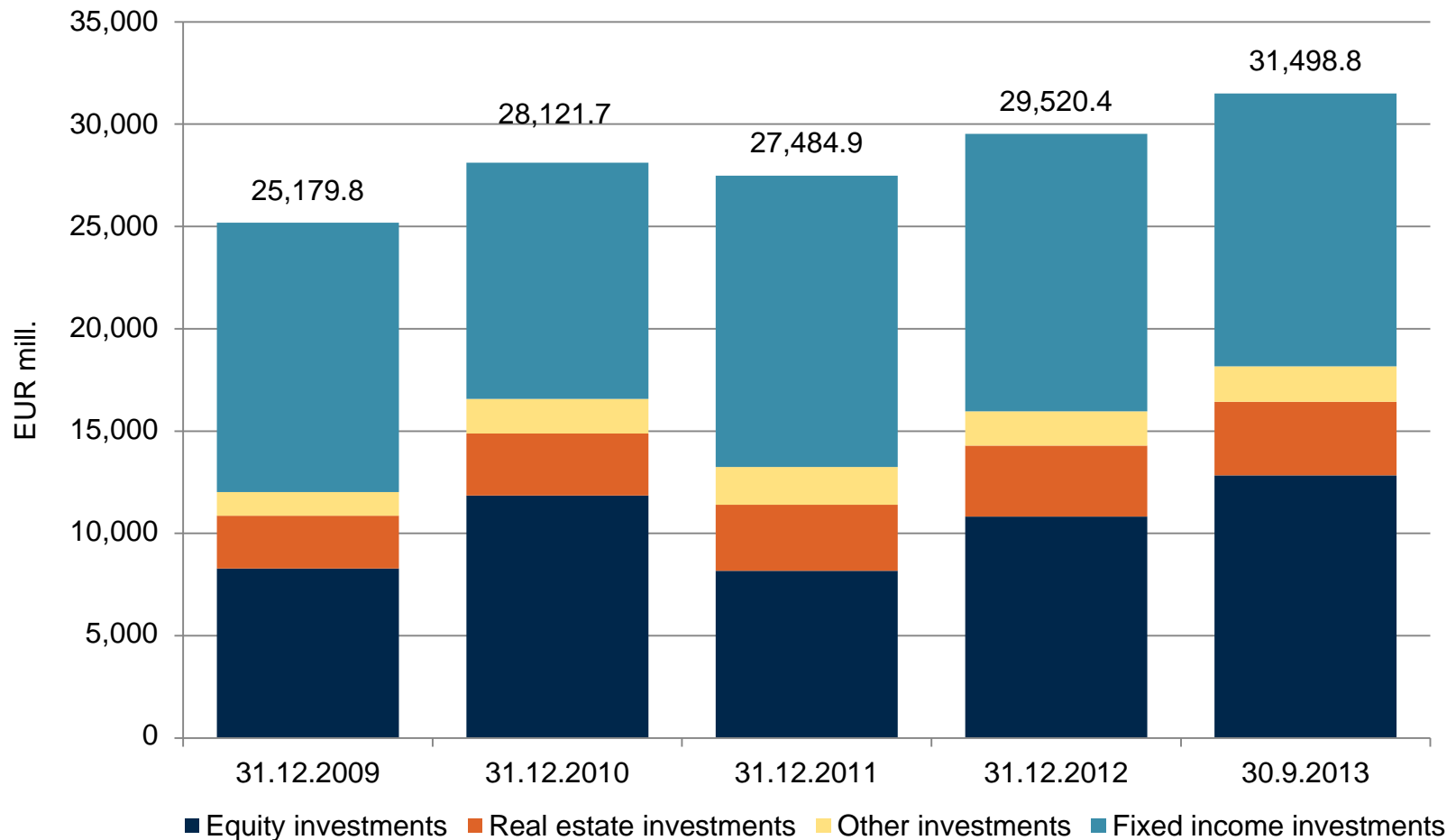
The modified duration of bond investments is -0.1 year.

Volatility is calculated on the monthly logarithmic return over a period of two years.

The total return percentage includes income, expenses and operating expenses not allocated to any investment types.

4 The investments are presented according to the TELA income calculation team's recommendation.

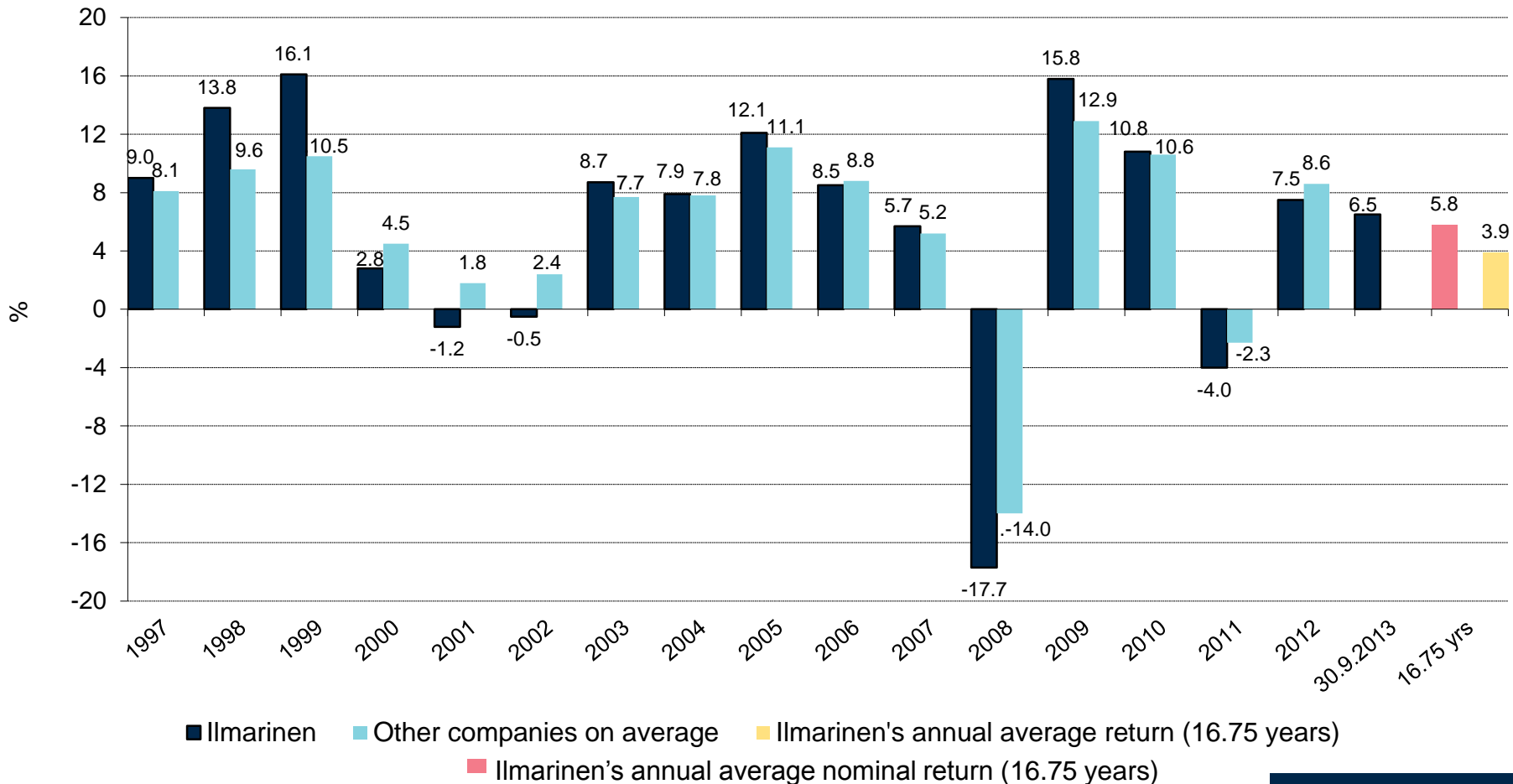
# MARKET VALUE OF INVESTMENTS EUR 31.5 BILLION





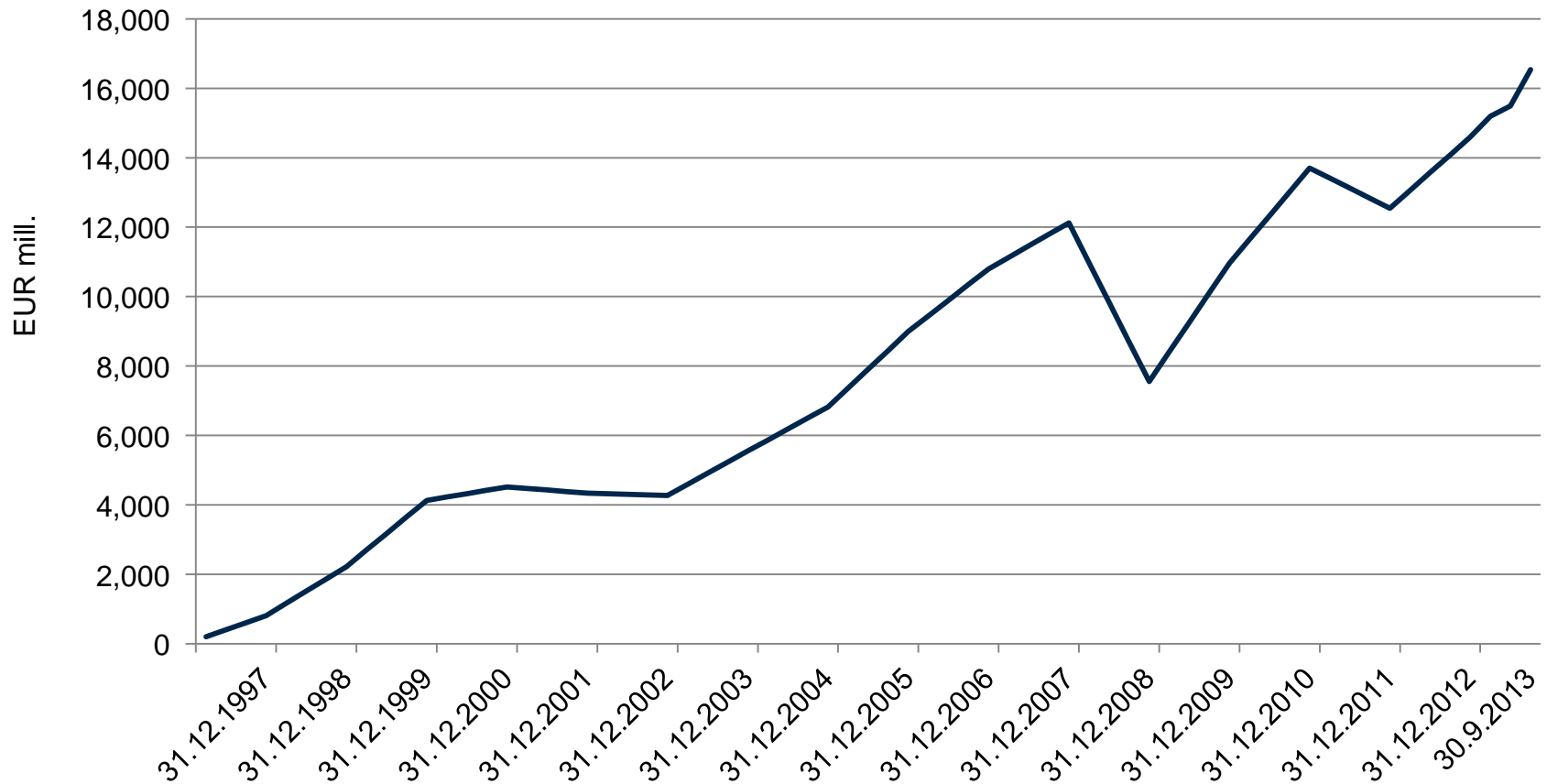
# REAL RETURN ON INVESTMENTS IN THE LONG TERM 3.9%

Net investment return at current value



# RETURN ON INVESTMENTS BACK TO LONG-TERM TREND

Cumulative net return on investments 1997–30 September 2013



Cumulative return corresponds to an annual return of 5.8% and an average real return of 3.9%.

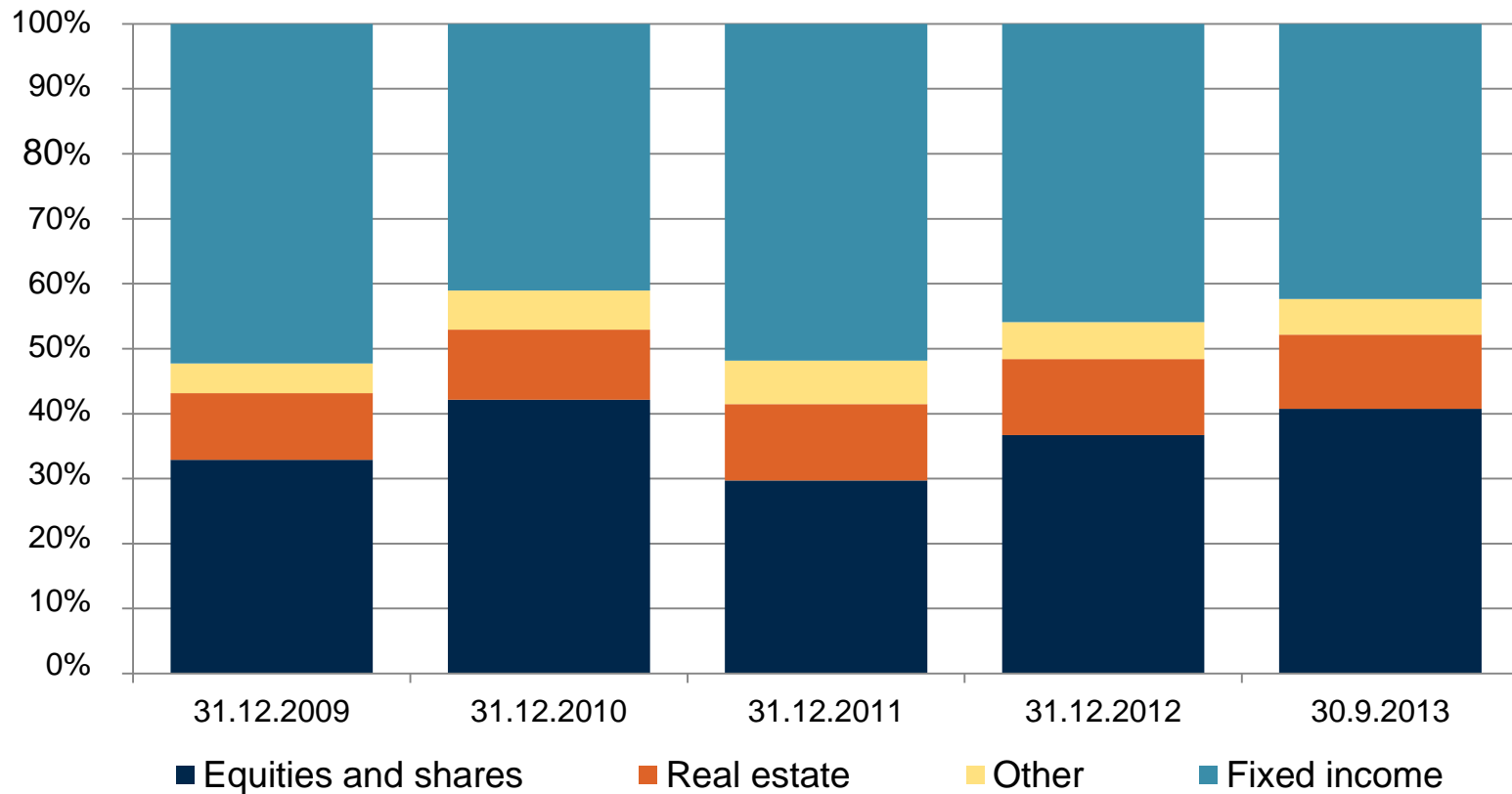
# ILMARINEN'S AND MARKETS' INVESTMENT RETURNS

%	Ilmarinen	Finnish equities and shares	European equities and shares	Euro government bonds	Euro corporate bonds
9 / 2013	6.5	23.3	13.9	1.1	1.3
2012	7.5	15.5	18.2	11.0	13.6
Average return over 5 years	5.1	8.9	7.2	5.3	7.4
Average return over 10 years	5.1	10.4	7.2	4.4	4.4
Average return since 1997	5.8	9.2	6.3	5.2	5.1
Real average return over 5 years	3.4	7.2	5.5	3.7	5.7
Real average return over 10 years	3.2	8.4	5.2	2.5	2.5
Real average return since 1997	3.9	7.2	4.4	3.3	3.2



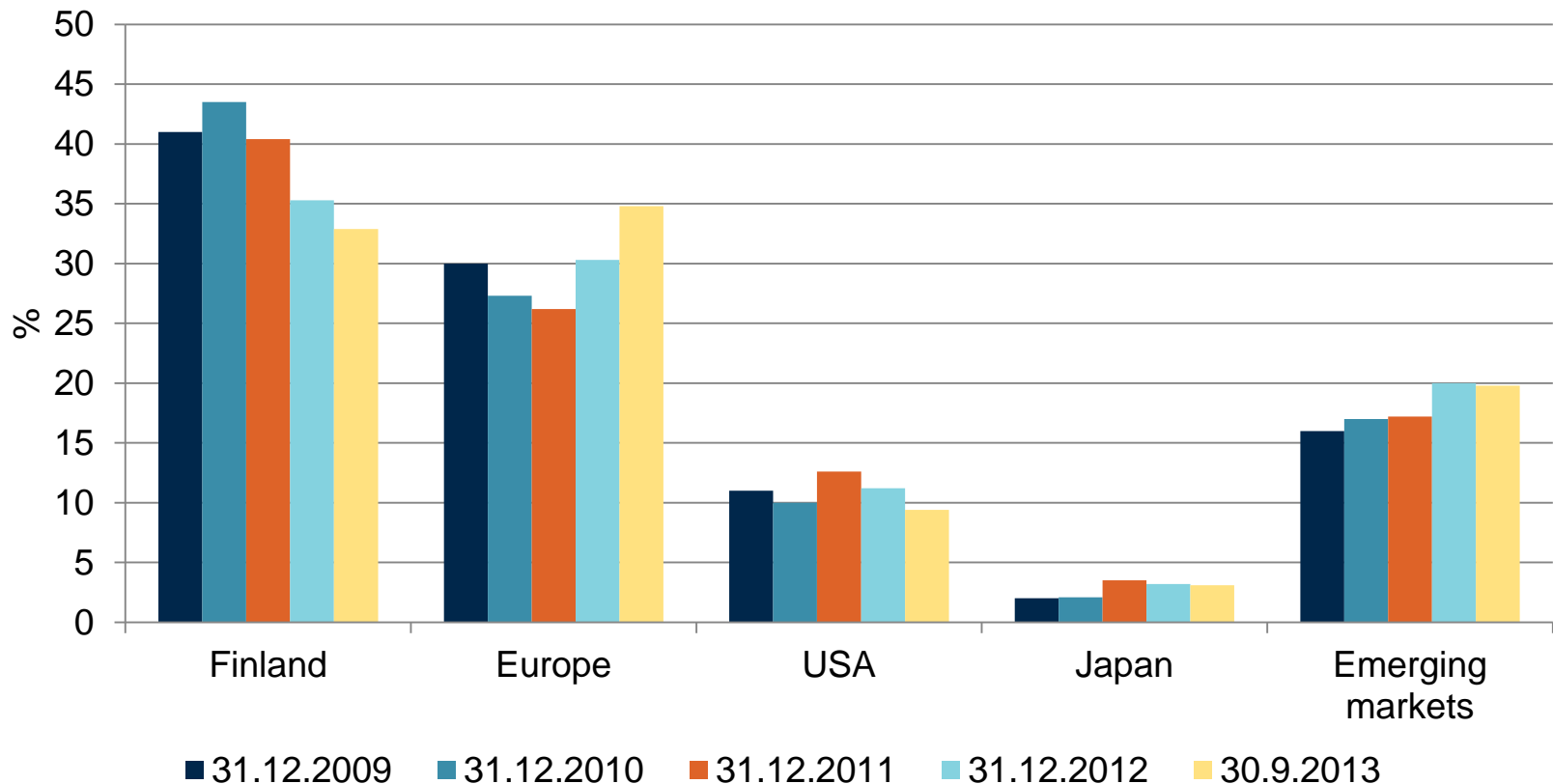
# EQUITIES AND SHARES IN PORTFOLIO INCREASED

Asset allocation development



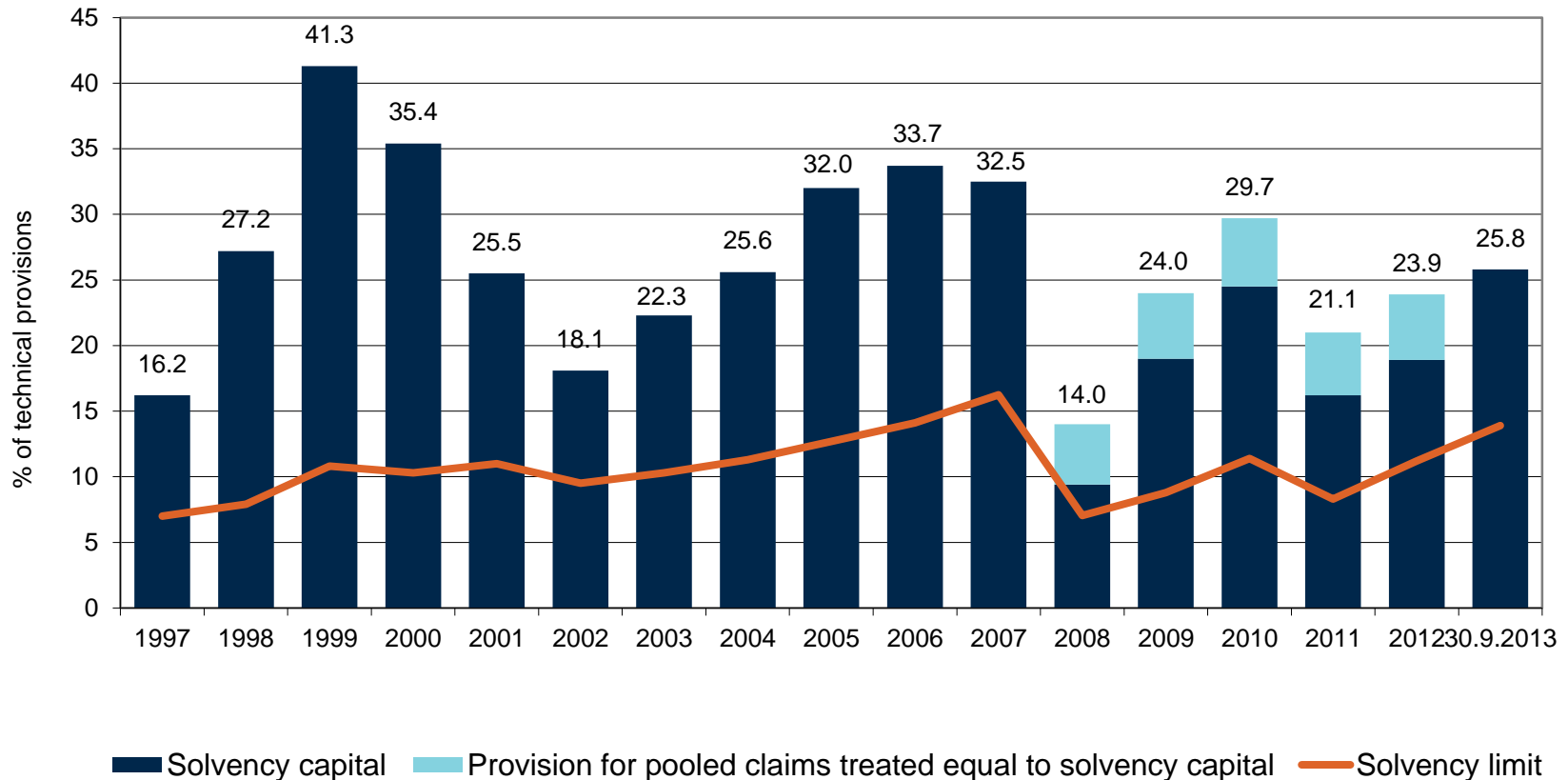
# SHARE OF EUROPEAN EQUITIES ON THE RISE

## Geographical breakdown of listed equities



# SOLVENCY STRENGTHENED

## Solvency development



On 30 September 2013, the solvency ratio was 1.9 times the solvency limit (2.2 on 31.12.2012).



*Ilmarinen's ownership policy  
contributes to Finnish business  
and industry*

# FINNISH EQUITY HOLDINGS

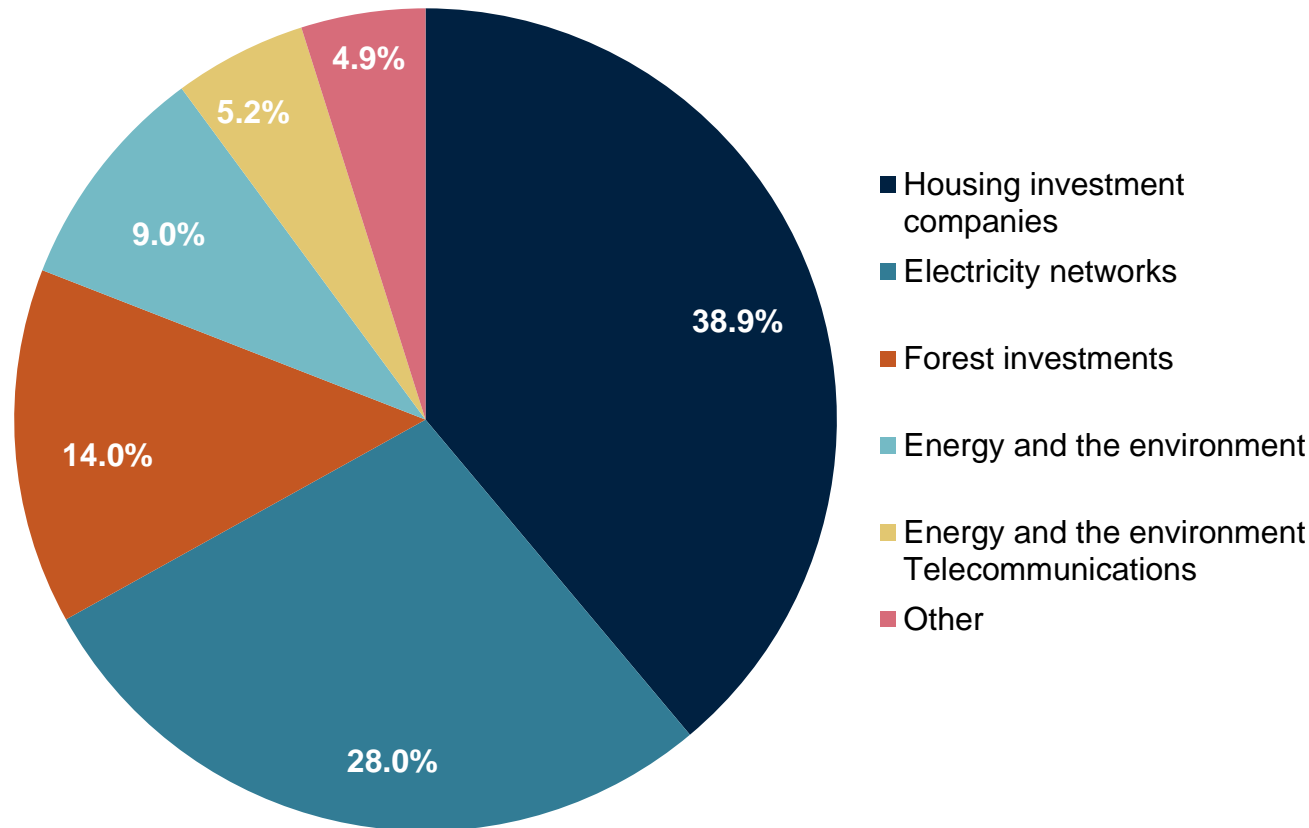
## EUR 31.1 BILLION

Most significant Finnish equity holdings

EUR million	30 Sep 2013
↑ Pohjola Bank plc	391.8
↑ Nokia Corporation	312.6
↑ Kone Corporation	201.2
↑ Sampo plc	144.0
↓ Wärtsilä Corporation	139.1
↓ Fortum Corporation	133.6
↓ Nokian Tyres plc	127.0
↑ Citycon Oyj	124.9
↑ Outotec Oyj	111.1
↑ Tikkurila Oyj	98.5

Percentage	30 Sep 2013
↑ Basware Corporation	12.10
↓ PKC Group Plc	10.72
↓ Suominen Corporation	10.66
↓ Finnlines Plc	10.58
Tikkurila Oyj	10.47
Technopolis Plc	10.44
Pohjola Bank plc	10.00
Talentum Plc	9.73
↑ Digia Plc	9.42
Citycon Oyj	8.98

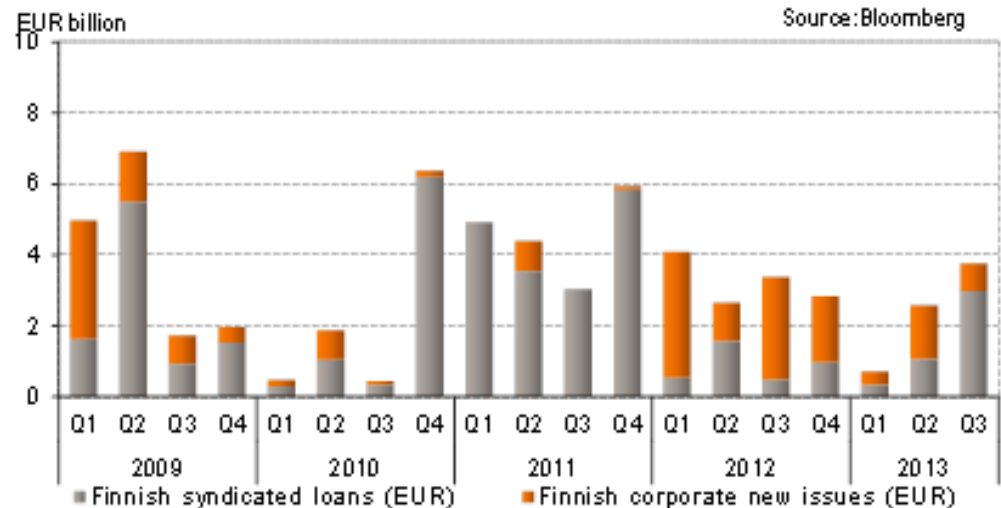
# UNLISTED EQUITIES AND SHARES IN FINNISH COMPANIES IN EXCESS OF ONE BILLION EUROS



# INVESTMENTS IN BONDS OF FINNISH COMPANIES **ON THE RISE**

- Major corporations are still utilising the equity markets and bond issues have been plentiful
- The market value of Ilmarinen's Finnish bond portfolio has grown significantly over the past couple of years to **EUR 500 million** (on 30 Sep)

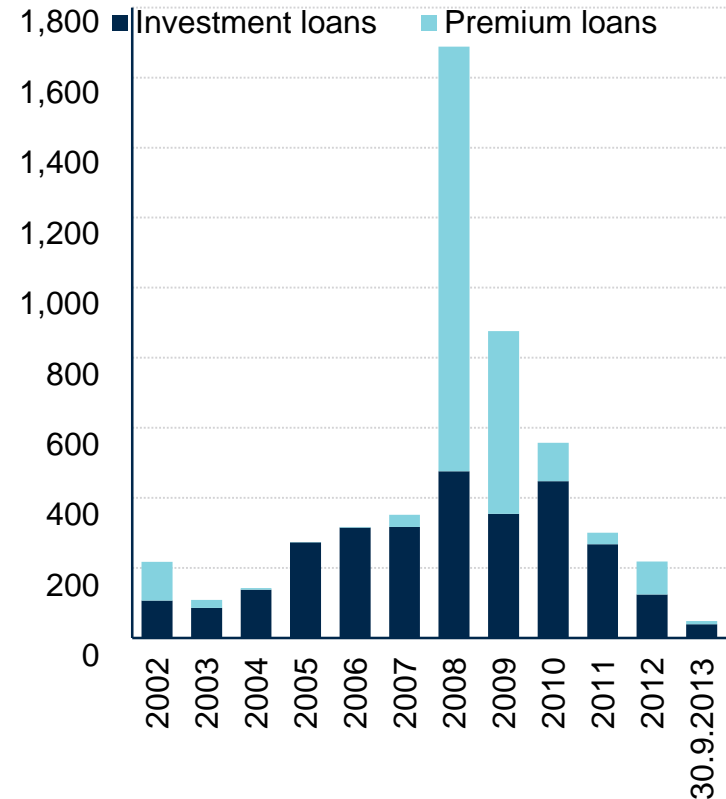
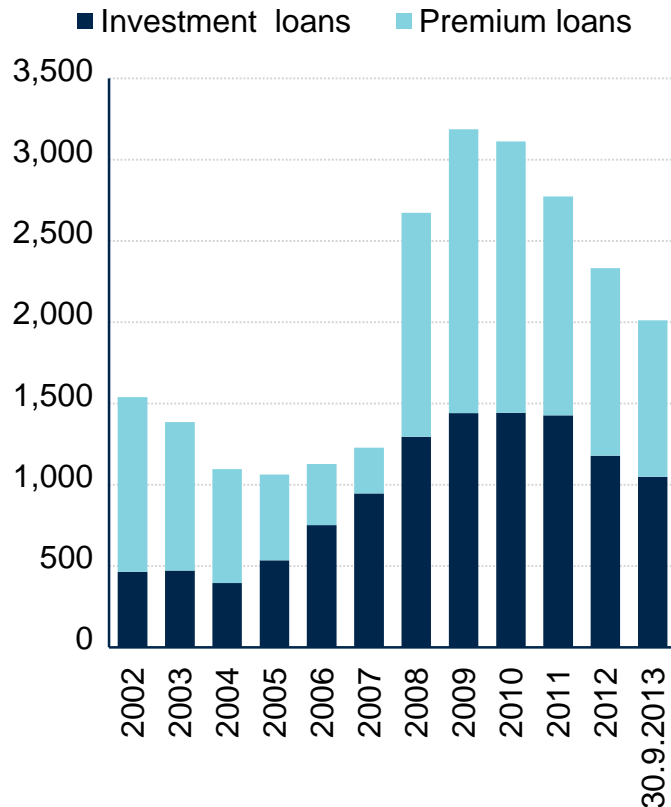
## Companies' bond issues and syndicated credits 2009–2013





# DEMAND FOR CORPORATE CREDITS DECLINING

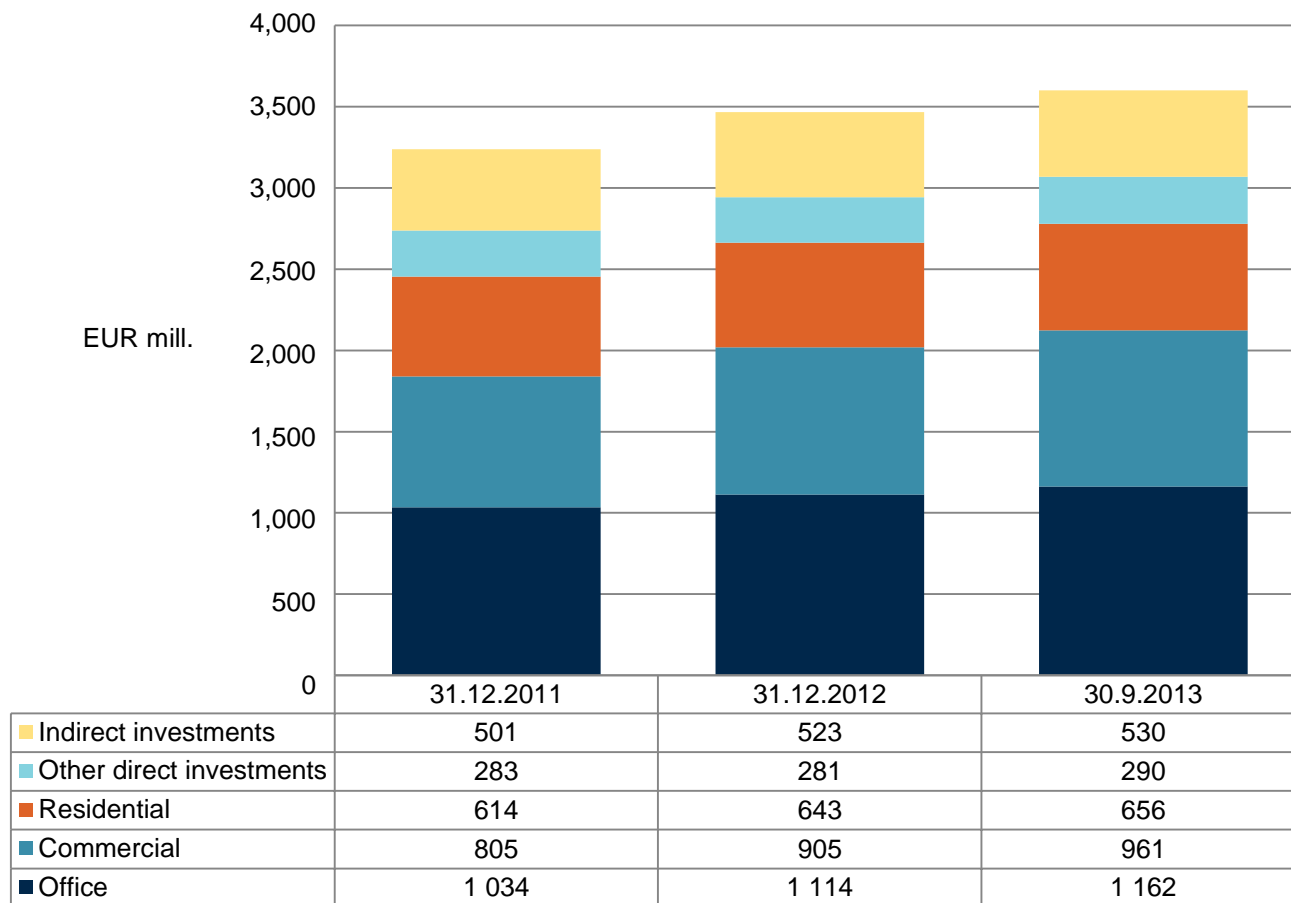
Breakdown of loan portfolio, EUR mill.    Loan draw-downs by type, EUR mill.



# REAL ESTATE INVESTMENTS

## EUR 3.6 BILLION

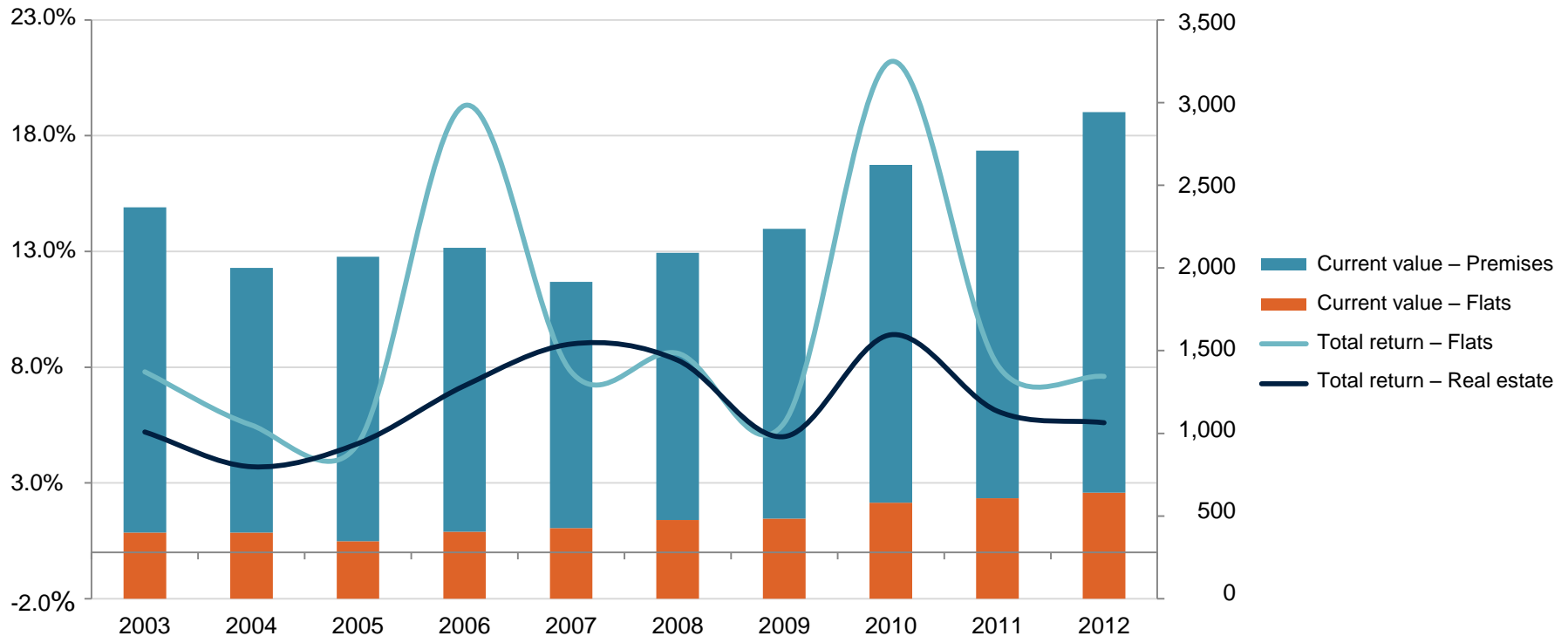
### Structure of real estate investments



# THE LONG-TERM RETURN ON DIRECT REAL ESTATE INVESTMENTS EQUALS 6.4% ANNUALLY

Yield history 2003–2012

- Flats: 9.5%
- All real estate: 6.4%



# CURRENT MARKET TOPICS

- Stronger signs of the eurozone downturn coming to an end
- Central banks still continuing their stimulating monetary policies
- Long-term interest hike has ended
- The equity markets are now focussed on third-quarter financial disclosures
- The United States' debt problems are generating nervousness on the markets





# PROSPECTS FOR THE REST OF 2013

- Both short- and long-term interest rates remain at quite a low level, but the markets will see the re-emergence of the risk of a continued hike in long-term interest rates during the final quarter of the year.
- The prospects for the rest of the year are cautiously optimistic but the differences between various markets may be considerable.



# THANK YOU.

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FOR A BETTER  
LIFE



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